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DEAL WITH THE FALLOUT ECONOMIC DISORDER IN SOUTH ASIAN COUNTRIES FROM COVID-19

Umair Baig*
Batool Huzaifah Darukhanawalla**
Zeba Shariff Khan***

Abstract

The prime objective of this study is to discuss the economic impact of the COVID-19 crisis concerning Pakistan and globally across South Asian developing countries. It also demonstrates those economic indicators through which the economic performance of the countries is influenced considering the prospective global economic costs of COVID-19 under different scenarios. The study systematically reviewed the literature on historical pandemic crises and the most recent Covid-19 fallout economic disorder in South Asian countries. Considering the history of human civilization, there are varied instances of severe epidemics that are caused by numerous viruses. It is observed that the prevailing outbreak of COVID-19 has eventually affected large scale manufacturing, service sectors and arose supply side constraint to an extent. On the contrary, GDP and consumption declined sharply. Furthermore, sudden loss of service sector jobs and the rise in food prices have created an economic crisis for developing countries of South Asia. The study attempts to discuss the policy responses given by the World Bank, International Monetary Fund, Asian Development Bank, The State Bank of Pakistan, and the Ministry of finance, Pakistan encountered due to the deteriorating international environment, fiscal stress, and difficulties in financial liquidity markets and provides relevant policies for the better prospect of Pakistan's economy after comparing it with other South Asian countries affected by this pandemic vulnerabilities.

Keywords: COVID-19; pandemic effects; policy responses; South Asia; macroeconomic indicators

Introduction

Currently, every economy is facing unprecedented challenges owing to the COVID-19 pandemic. It has almost erased developmental gains for several nations[1]. It has influenced the lives, modes of learning, essential well-being, and productivity in the future. External financing is severely tightened for countries across the world concerning income spectrum, trade disruption, supply chains, and flow of investment. Multilateral co-operation is required to resist the pandemic and alleviate its consequences regarding health, social, and economy. COVID-19 has become one of the most expensive epidemics

* Umair Baig, Ph.D. Scholar, Benazir Bhutto Shaheed University, Layri Karachi. Pakistan
** Batool Huzaifah Darukhanawalla, Ph.D. Scholar, Mohammad Ali Jinnah University
*** Zeba Shariff Khan, Ph.D. Scholar, PAF-KIET, Karachi
[1] Asian Development Bank, What Drives Innovation in Asia? (2020).

in current history[2]. On the contrary, it exhibits opposite scenarios such as coordinated lockdowns and uncertain shocks in the financial market refraining from economic activities, eventually leading to a global recession. However, this study sheds light on the prevailing economic crisis COVID-19 and discusses its impact on Asian countries Pakistan, India, China, Nepal, Indonesia, Maldives, Bhutan, Srilanka, Singapore, Thailand, Afghanistan, and Bangladesh. The real economic impact of the Pandemic Covid-19 needs assessment through numerous macro indicators *(1) Annual GDP (2) Annual GDP growth (3) Annual Inflation, (4) Annual Per Capita GDP Growth Rate of South Asia (5) Annual Export Growth Rate of South Asia (6) Employment Effect in South Asia (7) Supply Chain effect in South Asia (8) Large scale of manufacturing and others*[3].

Thus, this paper attempts to explore the COVID-19 impact, particularly on the economy of Pakistan and South Asian countries in general. However, Historical perspectives discussed in the next section, provide a comprehensive understanding of the historical pandemic issues and effects of pandemic disease on the developing world. After unfolding the historical perspective, the Covid-19 impact on Pakistan economy thoroughly described for policymakers to give an understanding of the policy responses given by the World Bank, International Monetary Fund, Asian Development Bank, The State Bank of Pakistan, and the Ministry of finance. Similarly, after highlighting the context of Pakistan, Covid-19 impact on South Asian countries described, achieving the main purpose of this study[4]. Finally, it concludes by asserting proactive policies for future implications. Moreover, some policies suggested preventing from this current situation of COVID-19.

Literature Review

Historical Perspective

The 1918 influenza is anticipated as the dearest epidemic in history because several past epidemics reported high fatality rate, due to poor quality of sanitary and it had different social context. Likewise, the 14th-century bubonic plague took 200 million lives, whereas, the European viruses in Mexico reduced the population from 15 to 20 million[5]. It is estimated the past epidemic condensed manufacturing activity by 20% and, demonstrated a negative impact on GDP around 6% to 8%. Social distancing measures were introduced but that varied across jurisdictions moreover there was no lockdown in economic activities. It was further found that earlier containment measures had higher medium-term growth in the economies. Similarly, the SARS epidemic in 2003 was milder

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[2] Backer, Jantien A., Don Klinkenberg, and Jacco Wallinga. "Incubation Period of 2019 Novel Coronavirus (2019-nCoV) Infections Among Travellers from Wuhan, China, 20–28 January 2020." *Eurosurveillance* 25, no. 5 (2020): 2000062.

[3] International Monetary Fund, IMF COVID-19 Response—A New Short-Term Liquidity Line to Enhance The Adequacy Of The Global Financial Safety Net. Decision No. 15420-(13/61), (2020).

[4] International Monetary Fund, the World Economic Outlook, April 2020: The Great Lockdown, (2020).

[5] Afelt, Aneta, Roger Frutos, and Christian Devaux. "Bats, coronaviruses, and deforestation: Toward the emergence of novel infectious diseases?." *Frontiers in microbiology* 9 (2018): 702.

it reduced 2% GDP[6]. Considering general lessons from past studies the authors clarify that when an epidemic situation arrives at a global scale with a considerable loss of lives, the economic loss would elevate and will be persistent meaning that restricted measures, no matter being costly, are economically beneficial in preserving the labor force. These measures are significant for the confinement policies alternative to cost-benefit assessments with the primitive objective of life-saving[7]. Comparably, the Spanish flu was not as serious as the current pandemic but past epidemics have provided substantial insight regarding rising economic costs in the short-run and the long-run.

The World Health Organization has proclaimed COVID-19 as an emergency for world health in January 2020. Initially, the virus was exposed in the city of China, Wuhan than gradually detected in around 190 countries of the world. This infection shifted from China to Europe, further to Italy, and finally in April 2020, it transferred to the United States where the ratio of COVID 19 victims was raised. Around 80 countries have closed their terminals to enter and depart[8]. Moreover, it gave sound and strict policies to lockdown businesses, closed schools, commanded, and inculcated its people to adopt isolation that is self-quarantined. China strictly imposed restrictions on traveling which was later implemented by Vietnam and South Korea. Subsequently, the United State reported a profound economic recession which included a decline in the ratio of unemployment. Contrary, central banks have intervened and engaged themselves in mitigating the crisis of the financial markets[9]. The government bodies are taking essential measures to initiate government expenditure for their respective economies to stimulate. Organizations around the globe are taking imperative steps to arrange loans and other different financial aid for the economies and nations in need. Thus, these unprecedented actions have taken place that describes the pandemic and economic policy responses. According to the IMF, these government expenditures and revenue measures are adopted to achieve sustainability[10].

It is very difficult to restrict COVID 19 domestic transmission in South Asia as it is densely populated in an urban area, lack of sanitation, and no adequate health facilities. This contagion is easily transferred especially, among native migrant workforce and slump dwellers. Although South Asian governments have taken quick measures, their decisions are daunting. According to the World Bank service sector including tourism, retail, restaurants, and transport has been greatly affected[11]. These lost services would upsurge demands in the future and reduce future rebound strength. Moreover, falling

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[6] Allocati, N., A. G. Petrucci, P. Di Giovanni, M. Masulli, C. Di Ilio, and V. De Laurenzi. "Bat–man disease transmission: zoonotic pathogens from wildlife reservoirs to human populations." *Cell death discovery* 2, no. 1 (2016): 1-8.

[7] Barro, Robert J., Jose F. Ursua, and Joanna Weng. "The coronavirus and the Great Influenza epidemic: Lessons from the "Spanish Flu" for the coronavirus' potential effects on mortality and economic activity." *NBER Working Paper* 26866 (2020).

[8] McKibbin, Warwick J., and Roshen Fernando. "The global macroeconomic impacts of COVID-19: Seven scenarios." (2020).

[9] Boissay, Frederic, and Phurichai Rungcharoenkitkul. *Macroeconomic effects of Covid-19: an early review*. No. 7. Bank for International Settlements, 2020.

[10] Bremer, Scott, Paul Schneider, and Bruce Glavovic. "Climate change and amplified representations of natural hazards in institutional cultures." In *Oxford Research Encyclopedia of Natural Hazard Science*. 2019.

[11] Chen, Qianying, Andrew Filardo, Dong He, and Feng Zhu. "Financial crisis, US unconventional monetary policy and international spillovers." *Journal of International Money and Finance* 67 (2016): 62-81.

service activities would lead to many challenges for lower income groups, informal workers in hospitality and transport services that eventually signifies that basic necessities are not guaranteed for lower class people in South Asia[12].

Similarly, the lockdown has plunged demand for consumer goods and services. It has also hindered the supply chain of goods and services in the domestic and global markets[13]. They also explored that this pandemic has eventually caused great economic recession globally due to unemployment, discount in liquidity risk of stock prices, insolvency of cash-constrained firms, etc. Therefore, the intervention of economic policymakers would lower the liquidity crisis and help prevent deterioration in the economy in the long-run[14]. Likewise, several countries have encountered health and domestic crisis, the decline in external demand, capital outflows, and drop in the prices of commodity and crude oil eventually, will reflect economic performance and disinflation prospects. It will further fuel risk perceptions and instability in the financial market and corporate decisions.

Correspondingly, this global recession is unavoidable but to overcome it, the state should take precautionary measures to avert its further spread throughout the nation because effective government policies would substantially help in extenuating liquidity issues in SMEs, industries, and individual families confronting financial distress. Moreover, the corporate sector must take proactive measures of economic activity stability[15]. Above all, everything depends on the length of the prevailing lockdown because it is difficult to ascertain the financial damage caused to the economy. Therefore, it is suggested that the state must intervene swiftly and take the necessary steps to minimize liquidity crisis and long-lasting damage to the market[16].

Sound policy would try its level best to overcome this recession through mitigating demand externalities and financing constraints, exploiting fiscal and monetary tools to reduce adverse shocks coming across which includes an interest rate that greatly impacts short-term rates of market, pursuing the purchase of an asset to guide long-term rates of market, providing substantial liquidity and serving as the lender of last resort. According to the authors, lower interest rates boost aggregate demand by strengthening consumption and investment[17]. Similarly, monetary instruments reduce the adverse effect of the financial downturn in this pandemic situation[18]. Fiscal instruments also play a vital role

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[12] Broadstock, David C., and Dayong Zhang. "Social-media and intraday stock returns: The pricing power of sentiment." *Finance Research Letters* 30 (2019): 116-123.
[13] Chakraborty, Indranil, and Prasenjit Maity. "COVID-19 outbreak: Migration, effects on society, global environment and prevention." *Science of the Total Environment* (2020): 138882.
[14] Fan, Yi, Kai Zhao, Zheng-Li Shi, and Peng Zhou. "Bat coronaviruses in China." *Viruses* 11, no. 3 (2019): 210.
[15] Coutts, Andrew, Jason Beringer, and Nigel Tapper. "Changing urban climate and CO2 emissions: implications for the development of policies for sustainable cities." *Urban Policy and Research* 28, no. 1 (2010): 27-47.
[16] Fan, Yi, Kai Zhao, Zheng-Li Shi, and Peng Zhou. "Bat coronaviruses in China." *Viruses* 11, no. 3 (2019): 210.
[17] Gates, Bill. "Responding to Covid-19—a once-in-a-century pandemic?." *New England Journal of Medicine* 382, no. 18 (2020): 1677-1679.
[18] International Monetary Fund, IMF COVID-19 Response—A New Short-Term Liquidity Line to Enhance The Adequacy Of The Global Financial Safety Net. Decision No. 15420-(13/61), (2020).

in encouraging the level of government consumption and capital investment[19]. Moreover, taxes on income of the labor, profits, goods, and services and allocating subsidies according to their respective sectors, remittances or transfers, tax exemptions, etc. Thus, policies framed can reduce the need for firms and consumers by encouraging borrowing so that income support is given to the needy. Likewise, demand shocks can also be countered by raising government expenditure and consumption[20]. This is possible by inducing firms and individuals to consume and invest through taxes and transfers.

On the contrary, certain relief measures must be considered for instance countries with limited financial capacity need realism and prioritization. The government must resort to an increase in fiscal deficit depending on the income level of every country. Preferably, by utilizing available sovereign wealth funds, borrowing in domestic or foreign markets, neutral reallocation of expenditures if deficit financing is expensive in prevailing circumstances, reliance on international grants, and concessional lending for countries having low income and reserves. Although, in the middle of a health crisis, imperative practices for macroeconomic steadiness and cost-effective expenditure allocations must be followed[21].

Correspondingly, COVID-19 has drastically demobilized the international market, and to restrict its further transfer in the community, many of the affected countries have undergone complete lockdown. This lockdown has ultimately affected all local flights, railway service, buses, trucks, and vehicles that are suspended with special exemption to those related to essential commodities[22].

Thus, inflationary financing towards public deficits must be avoided; besides this reallocation of expenditure that disregards fundamental state services or flouts the accountability of that government. Simply, economic policies given by the state for overcoming this pandemic can be organized into relief measures, recovery policies, and international coordination.

Covid-19 Impact on Pakistan Economy

The economy of Pakistan is immensely affected by the COVID 19 outbreak. It also has a mounting impression around the globe. Pakistan is striving with the issue of balance-of-payments and a load of immense public debt arranged by IMF which is corresponding to fiscal tightening. Moreover, rising inflation and security anxieties have intensely wounded local demand and investment in the private sector. Fiscal tightening has also sternly condensed the government's capability to sermon deceleration. Exports declined to 0.4 % that eventually disappointed textile sales consisting of around 60% of export goods. Gross Domestic Product remained weaker in 2018 and 2019 that showed below 4 to 6 % range

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[19] Loayza, Norman V., and Steven Pennings. "Macroeconomic policy in the time of COVID-19: A primer for developing countries." (2020).
[20] Ministry of Finance Pakistan, Monthly Performance, April 2020, Economic Adviser's Wing, (2020).
[21] Over, Mead. "The macroeconomic impact of HIV/AIDS in sub-Saharan Africa." *World Bank AFTPN Working Paper* 3 (1992).
[22] Hui, David S., and Malik Peiris. "Severe acute respiratory syndrome and other emerging severe respiratory viral infections." *Respirology (Carlton, Vic.)* 24, no. 5 (2019): 410.

of the preceding years[23]. Nevertheless, the Pakistani economy expects to recuperate marginally from 2021 as the government has raised revenues from taxes allowing inflating public investment and through other government reforms needed by the IMF to achieve a fruitful result. Moreover, it would be critical for Pakistan if it continues commitment with reforms to reach the desired path of growth regarding constructive investment in infrastructure and strategic competency development. Similarly, Pakistan declared a lockdown from March 2020 till May 31, 2020. It might extend because of increasing COVID 19 victims and deaths but Pakistan's mortality ratio is still lowered 1.4% as compared to a 5.2% world ratio[24]. It is also estimated that these disruptions and subsequent decline in the aggregate demand would reduce GDP by up to 6-8% YoY due to a decline in industrial production[25].

Methodology

The current study explores data from different articles and reports such as the Asian Development Bank, International Monetary Fund (IMF) reports, World Bank report, etc. Moreover, the latest studies have been studied to excerpt the pertinent material on COVID-19. Besides official sites of Ministry of Pakistan were analyzed to attain authentic information related to Pakistan. Highlights from "Situation reports" published by WHO regarding several initiatives embraced by the Pakistani Government in this situation have been thoroughly studied to enlighten the main crux of those reports. The published reports concisely explained the content related to COVID-19 mainly in categories like the global update, Pakistan update, WHO support to Pakistan and other countries, and certain other factors. Hence, to understand these reports scholars would be able to précis the considerable attributes systematically[26].

Results and Findings

This outbreak might unfavorably affect the economic growth of Pakistan for FY2020. Local production and exports may also suffer due to the scarce supply of intermediary goods, reduction in global demand, and goods prices. The slump in China, the USA, the EU, and the Middle East economy would hit exports of Pakistan and remittances influx. Ultimately, this will negatively affect taxable and non-taxable revenues; whereas government expenditure might cause fiscal imbalance and result in undesirable implications. Recently reduction in oil prices, however, is a constructive sign for Pakistan's economic condition because it indicates a decline in the current account deficit and alleviates inflationary stress. The Ministry of Finance Pakistan and Asian Development Bank illustrated it by showing the annual GDP growth trend in (Figure-01).

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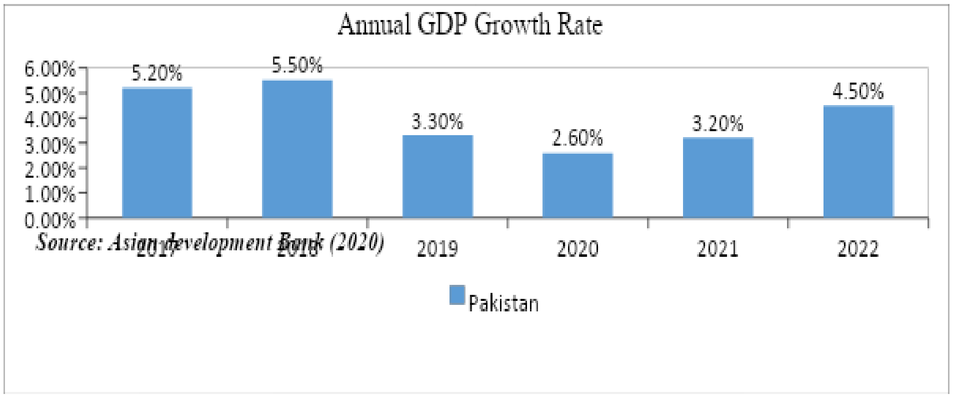
[23] United Nations Department for Economic and Social Affairs, (2020). World economic situation and prospects 2020. 978-92-1-109181-6

[24] Ministry of Finance Pakistan, Monthly Performance, April 2020, Economic Adviser's Wing, (2020).

[25] International Monetary Fund, the World Economic Outlook, April 2020: The Great Lockdown, (2020).

[26] PRS Group. "International country risk guide methodology." *URL: http://www. prsgroup. com/wp-content/uploads/2012/11/icrgmethodology. pdf (accessed November 24, 2018)* (2012).

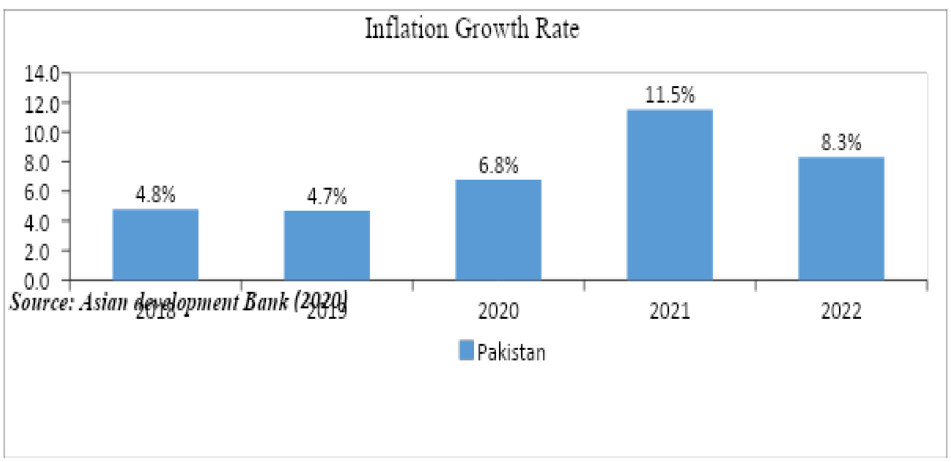
Figure-01 Annual GDP Growth Rate



Source: Asian development Bank (2020)

Similarly, It was presumed that the year 2020 would be the year of "Year of Economic Resurgence" as interest rates were expected to reduce, exchange rates were assumed to sustain and, growth in economic activity. On account of COVID 19, everything set aside The State Bank of Pakistan elevated its policy interest rate by a cumulative 575 basis points to 12.25% at the end of FY2019 to counter inflationary pressures. Following the decline in global oil prices and expected sluggish demand under COVID-19, it further reduced it in two steps to 11.00% in March 2020. Inflation is expected to accelerate to 11.5% in FY2020, indicating a sharp increase in food prices in the first part of the fiscal year and a 9.8% drop in the value of the local currency against the US dollar in the first 7 months of FY2020[27]. The report then forecasts inflation to decelerate to 8.3% in FY2021, with the central bank having to account for this in its next monetary policy decision to increase credit to the private sector and boost economic activity. It is anticipated that Pakistan will be among the countries which will suffer great loss as shown in Figure-02

Figure-02 Inflation Growth Rate

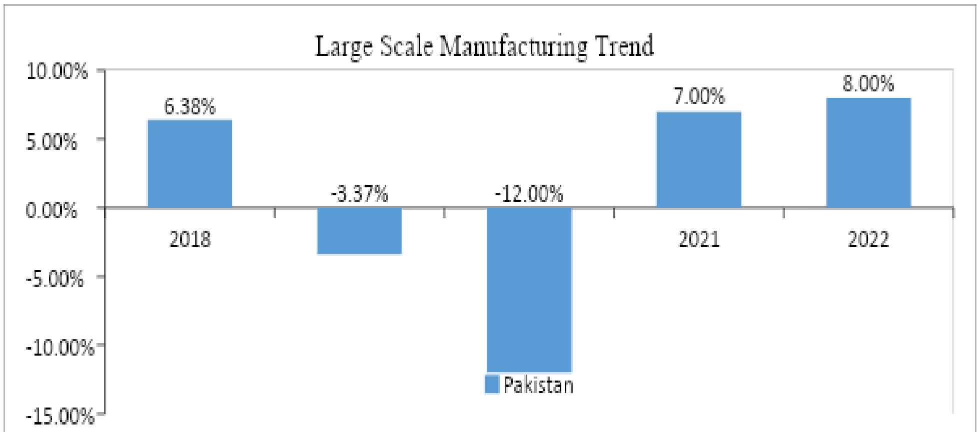


Source: Asian development Bank (2020)

[27] International Monetary Fund, the World Economic Outlook, April 2020: The Great Lockdown, (2020).

Correspondingly, it is expected industries operating at 40% efficiency by June 2020, 70% till Sept 2020, and will shoot at 85% by the month December 2020; consequently loss in average production from 35% to 40% in 9M2020E[28]. It is expected FY20E, will exhibit agricultural growth at 1.2% YoY (obstructed at 20% YoY resulting decline in production of cotton), industrial growth at -7% YoY (12% YoY reduction in Large Scale Manufacturing) and services growth at 2.2% YoY illustrated in Figure-03.

Figure-03 Large Scale Manufacturing Trend



Source: Ministry of Finance Pakistan (2020)

Covid-19 Impact on South Asian Countries

After the global financial crisis the world economy was gradually expanding. COVID-19 has influenced economic activity and has highly synchronized, exhibiting a decreasing trend in the growth of all main economies. Annual growth decelerated except Africa. Low growth in Gross Domestic Product (GDP) in one-third of the countries globally has been observed in 2018-2019 as shown below in (Figure-04).

[28] Asian Development Bank, What Drives Innovation in Asia? (2020)

Figure-04 Growth of world output and GDP

Growth of world output and gross domestic product

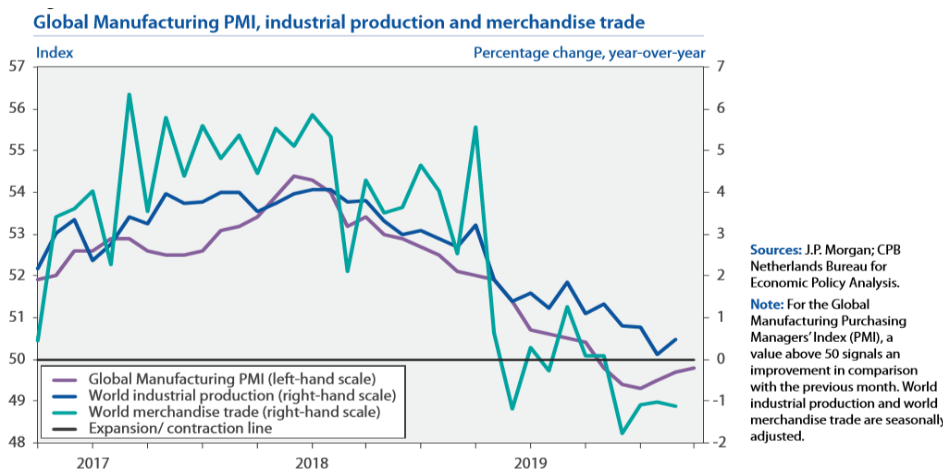
						Change from WESP 2019	
Annual percentage change	2017	2018	2019[a]	2020[b]	2021[b]	2019	2020
World	3.2	3.0	2.3	2.5	2.7	-0.7	-0.5
Developed economies	2.4	2.2	1.7	1.5	1.7	-0.4	-0.4
United States of America	2.4	2.9	2.2	1.7	1.8	-0.3	-0.3
Japan	1.9	0.8	0.7	0.9	1.3	-0.7	-0.3
European Union	2.6	2.0	1.4	1.6	1.7	-0.6	-0.4
EU-15	2.4	1.8	1.2	1.4	1.6	-0.6	-0.4
EU-13	4.8	4.3	3.8	3.3	3.2	0.2	-0.2
Euro area	2.5	1.9	1.2	1.4	1.5	-0.7	-0.5
Other developed countries	2.6	2.3	1.7	1.8	1.9	-0.5	-0.4
Economies in transition	2.2	2.7	1.9	2.3	2.5	-0.2	-0.3
South-Eastern Europe	2.5	3.9	3.1	3.4	3.4	-0.6	-0.3
Commonwealth of Independent States and Georgia	2.1	2.7	1.8	2.3	2.4	-0.2	-0.3
Russian Federation	1.6	2.3	1.1	1.8	2.0	-0.3	-0.3
Developing economies	4.5	4.2	3.4	4.0	4.3	-0.9	-0.6
Africa	2.9	2.7	2.9	3.2	3.5	-0.5	-0.5
North Africa	4.0	2.6	3.4	3.6	3.7	0.0	0.0
East Africa	5.4	6.3	6.0	6.0	6.2	-0.3	-0.5
Central Africa	0.3	1.6	2.7	2.9	3.1	0.1	-0.9
West Africa	2.7	3.3	3.5	3.6	3.8	0.0	-0.2
Southern Africa	1.1	0.9	0.3	0.9	1.9	-1.8	-1.7
East and South Asia	6.1	5.7	4.8	5.2	5.2	-0.7	-0.4
East Asia	5.9	5.7	5.2	5.2	5.2	-0.3	-0.2
China	6.8	6.6	6.1	6.0	5.9	-0.2	-0.2
South Asia	6.8	5.6	3.3	5.1	5.3	-2.4	-1.0
India[c]	7.2	6.8	5.7	6.6	6.3	-1.9	-0.8
Western Asia	2.6	2.3	1.0	2.4	2.8	-1.3	-1.0
Latin America and the Caribbean	1.2	0.9	0.1	1.3	2.0	-1.6	-1.0
South America	0.7	0.4	-0.1	1.1	2.0	-1.4	-1.2
Brazil	1.3	1.1	1.0	1.7	2.3	-1.1	-0.8
Mexico and Central America	2.4	2.3	0.5	1.6	1.9	-2.0	-0.7
Caribbean	-0.2	1.6	1.2	5.7	3.4	-0.8	3.7
Least developed countries	4.5	4.6	4.9	5.1	5.4	-0.1	-0.6
Memorandum items							
World trade[d]	5.7	3.9	0.3	2.3	3.2	-3.4	-1.6
World output growth with PPP weights[e]	3.8	3.6	2.9	3.2	3.4	-0.7	-0.5

Source: UN DESA.
a Partly estimated.
b Forecast.
c Fiscal year basis.
d Includes goods and services.
e Based on 2010 benchmark.

Similarly, the recession in GDP across regions in 2019 is making trade activity and domestic investment weaker. Collectively it reduced world merchandise trade, industrial production, and the Global Manufacturing Purchasing Managers' Index (PMI) to its lowest since 2012. Contrary, private consumption stood relatively in most countries, supported by firm labor markets and modest inflationary pressures[29]. Nevertheless, household spending has begun to moderate in several big economies, with less optimistic consumers as in October 2019, the OECD consumer confidence index exhibited a downward trend in 4 years as illustrated in Figure-05

[29] Gates, Bill. "Responding to Covid-19—a once-in-a-century pandemic?." *New England Journal of Medicine* 382, no. 18 (2020): 1677-1679.

Figure-05 Global Manufacturing



South Asia is adversely affected because tourism and supply chains have been traumatized, garments demand has collapsed, Moreover, sentiments of consumers and investors are exacerbated. Above all, deterioration of the global environment in most countries has halted major parts of the economy domestically. Though the outlook of the economy is worsened it is difficult to measure the magnitude of it. Since South Asia is stepping in unchartered territory, therefore, history serves us with slight guidance. This lockdown in the economies has caused a sharper fall in economic performance than in a normal economic downturn. Therefore, World Bank initiated with South Asia Economic Focus presenting a range estimation, instead point forecast. Moreover, it is very important to plan for the worst scenario that is under the range of forecast; the extension of inland lockdown would steepen the short-run contraction and imperil the following rebound. South Asia is confronting inequality during this crisis[30]. Even more troublesome than the macroeconomic overview which demonstrates a great impact on the poorest people in the population is much severer than the prosperous people. According to the economic survey, it is difficult for poor people to access health care services and put social distancing into practice. There are more chances of losing jobs and they can't absorb shocks of loss in earnings[31]. Migrant workers who left rural poverty and started work in urban areas are enforced to return to their respective rural areas again. It is a big challenge to arrange for and make available food security and safety nets. It is essential to recuperate fiscal positions as well as support utility companies and banks to maintain solvency and sustainability. Possibly the major challenge would be afloat SMEs so that they can create jobs while the rebound; as well as recruiting temporary workers to bring in normalcy. The governments should also fight to create situations for a rebound.

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[30] Bremer, Scott, Paul Schneider, and Bruce Glavovic. "Climate change and amplified representations of natural hazards in institutional cultures." In *Oxford Research Encyclopedia of Natural Hazard Science*. 2019.
[31] Boissay, Frederic, and Phurichai Rungcharoenkitkul. *Macroeconomic effects of Covid-19: an early review*. No. 7. Bank for International Settlements, 2020.

Likewise, South Asia will slow down to 4.1% in 2020 and then restore to 6.0% in 2021, most probably the dominant Indian economy will show the trend. Hence, GDP will remain strong in Bangladesh, which is estimated to grow by 7.8% even it is pulled back by global demand. Similarly, Bhutan in the coming 5-year plan will strengthen government spending, despite fewer tourist influxes[32]. Maldives and Sri Lanka considered tourism-dominated economies forecast to decrease by 3.0% in 2020. Except for external turmoil, Pakistan's growth will exhibit slowdown as the agriculture sector stagnates, reducing cotton output, and constraining stabilizing efforts of domestic demand[33]. The macroeconomic imbalances in Pakistan should maintain the confidence to gain future benefits. Inflation will soften to 4.1% in 2020 because food inflation will ease in India with substantial improvement in agriculture[34]. However, mild inflation will persist in the Maldives with the policy in place for subsidies and price controls on necessities allied in anticipation of deterioration in demand[35]. Thus, Pakistan will strive this year and confront inflationary pressure because of rising food prices. Finally, it will schedule hikes to utility rates, and local currency will depreciate[36]. To focus South Asian economic indicators this study aims to discuss and demonstrate the crisis through a graphical presentation.

Figure-06 illustrates the annual growth of inflation in South Asian countries which has created an option for central banks to lesser rates of interest and insert liquidity in the banking system. Price rises continued low due to feeble growth and trade terms. In Pakistan, however, inflation related to food was in height, though it had been decreasing earlier to the crises of COVID-19. Here is a danger when the prices of foods will prickle under present circumstances. That might be worrying as it impends food safety for people at the poorer end of the income distribution. Nevertheless, across the board inflationary helixes are not present among the countless uncertainties of legislators[37].

[32] Reid, Ann H., and Jeffery K. Taubenberger. "There" and Back Again." *Laboratory investigation* 79, no. 2 (1999): 95.
[33] Robalino, David A., Albertus Voetberg, and Oscar Picazo. "The macroeconomic impacts of AIDS in Kenya estimating optimal reduction targets for the HIV/AIDS incidence rate." *Journal of Policy Modeling* 24, no. 2 (2002): 195-218.
[34] United Nations Department for Economic and Social Affairs, (2020). World economic situation and prospects 2020. 978-92-1-109181-6
[35] Zhang, Dayong, Min Hu, and Qiang Ji. "Financial markets under the global pandemic of COVID-19." *Finance Research Letters* (2020)
[36] Over, Mead. "The macroeconomic impact of HIV/AIDS in sub-Saharan Africa." *World Bank AFTPN Working Paper* 3 (1992).
[37] Asian Development Bank, What Drives Innovation in Asia? (2020)

Figure-06 Annual Growth of Inflation in South Asian Countries

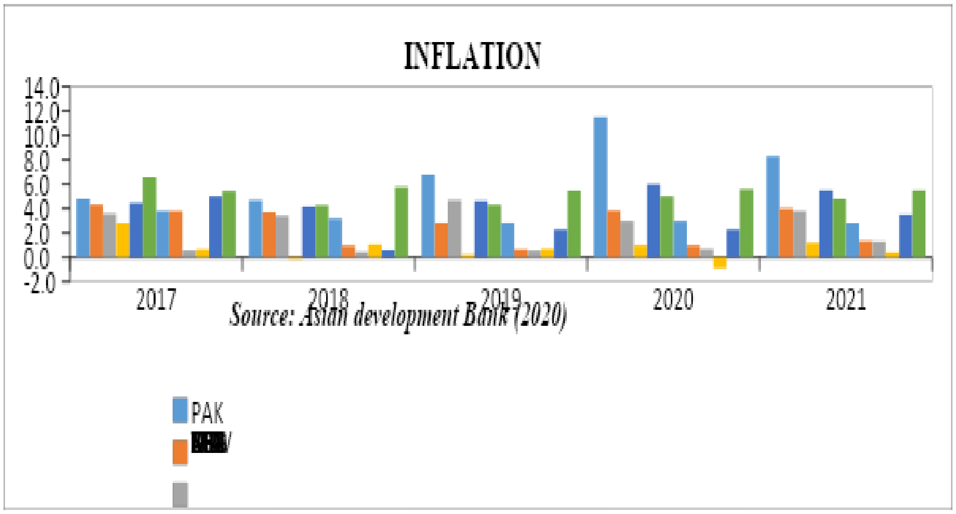

Figure-07 illustrates the Annual Gross Domestic Product growth rate of South Asian countries which downfall in 2019, scenarios in emerging Asia look unwelcoming in light of the huge economic influence of the existing crisis of health. Development and Growth slowed from 5.9% in 2018 to 5.2% in 2019. As worldwide motion softened and tensions of trade straddling, Industry related to electronics suffered a world down cycle, and domestic investment deteriorated. The economic activity presented signs of recovery toward the turn of 2020. However, expectations were rapidly ruined by Covid-19 disease[38]. Disturbance to local and worldwide tourism, supply chains, and trade, the sustained feast of the eruption, has the area winding under huge economic shudders and fiscal chaos[39]. How the epidemic would change is unidentified, sendoff the viewpoint extremely indeterminate as to the condition relics unsolidified. Based on data available to March 20th, economic growth in the region is predicted to slow to 2.2% in 2020, with all sub-regions failing. Pretentious that the eruption finishes inside this year, growth will improve to 6.2% in 2021. Much of the predictable deterioration in local growth stems from a slowdown in the PRC, where development and growth are predicted to drop from 6.1% in 2019 to 2.3% in 2020. Before recovering above usual to 7.3% in 2021. Growth in India is probable to weakening further to 4.0% in 2020 before strengthening to 6.2% in 2021.

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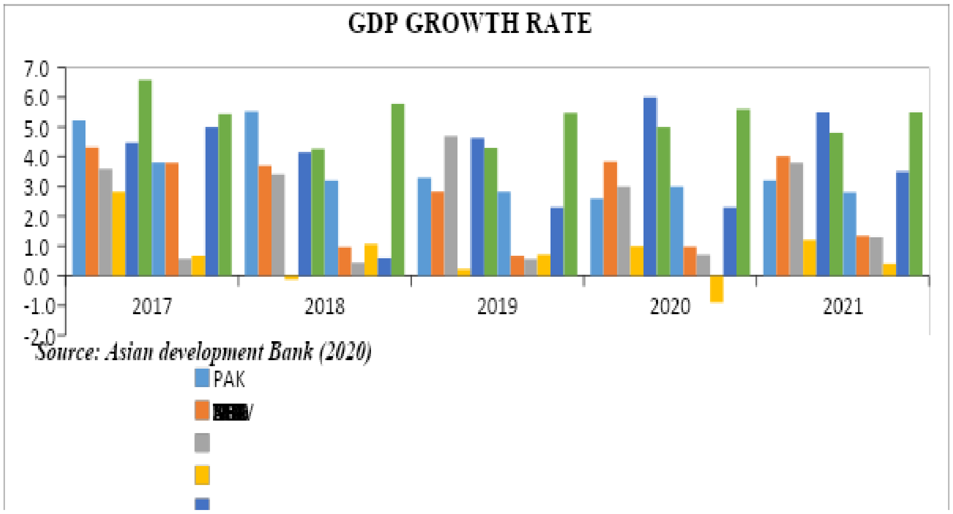
[38] Upadhaya, Bedanand, Chaminda Wijethilake, Pawan Adhikari, Kelum Jayasinghe, and Thankom Arun. "COVID-19 policy responses: reflections on governmental financial resilience in South Asia." *Journal of Public Budgeting, Accounting & Financial Management* (2020).
[39] International Monetary Fund, the World Economic Outlook, April 2020: The Great Lockdown, (2020).

Figure-07 Annual Gross Domestic Product Growth Rates of South Asian Countries



Similarly, Figure-08 illustrates that the annual per capita GDP Growth Rate of South Asia shows a decreasing trend that has ultimately caused a reduction in consumption and investment in the economy. Moreover, the economic growth of India is stable to an extent but Pakistan and other developing countries have faced financial turmoil. The COVID-19 has severely disrupted the global financial system, with many emerging markets and developing countries encountering liquidity shortages.

Figure-08 Annual Per Capita GDP Growth Rate of South Asia

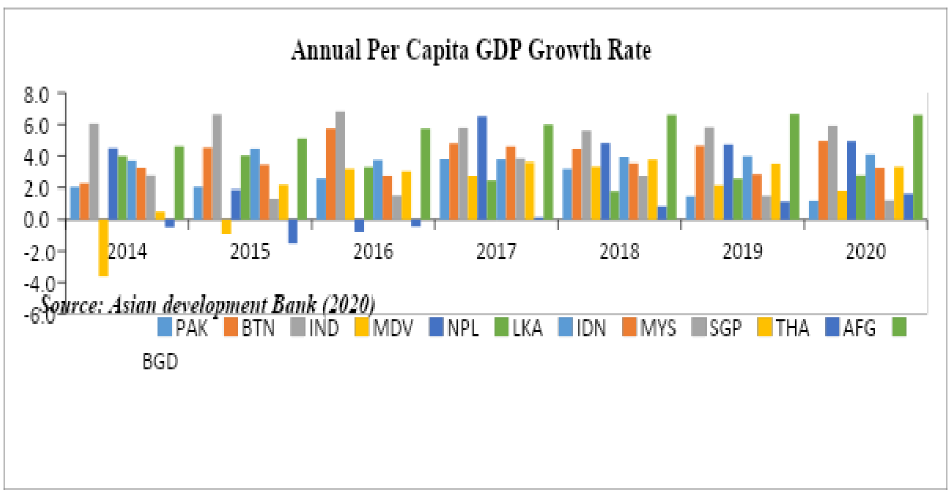


Figure-09 exhibits the annual export growth rate of South Asia the tumble in export capacities persuaded by increasing trade pressures carried about a decay in imports of intermediate goods used in re-exports. Self-possessed with unstiffening economic activity, the export fall was reproduced as well in declining demand for investment goods, additionally, dropping imports. Current account balances, therefore, improved over 2019 in four of the five sub-regions as excesses broadened in Southeast Asia to 2.5%.

Figure-09 Annual Export Growth Rate of South Asia

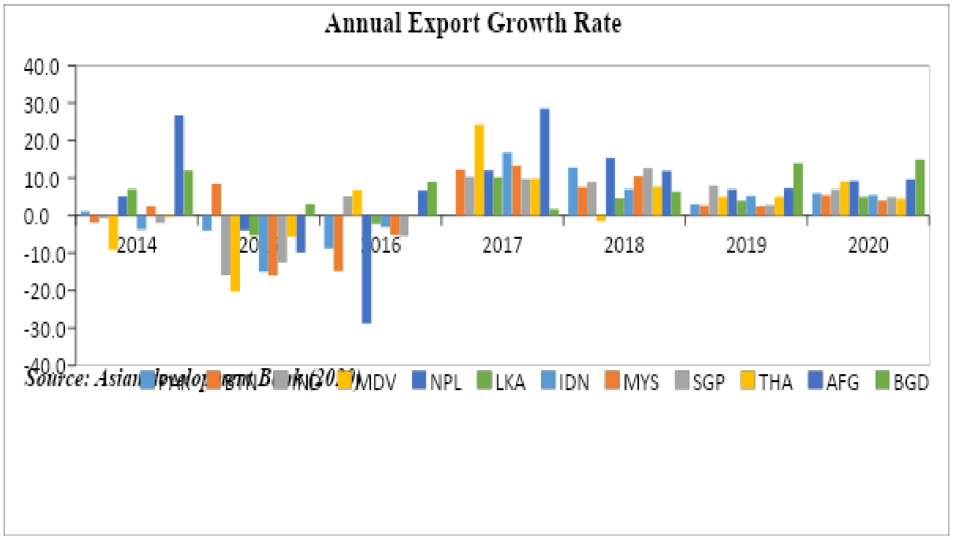


Figure-10 briefly illustrate a decrease in employment for each nation. If the lockdown will last 2 months, employment and occupation will fall in all republics or nations. However, more severely--by double-digits--if the lockdown were continued for 4 months. The report suggested that consumption would decline to the levels imagined under the standard scenario range (wherever stuck between 2 to 4 months), in short, employment will drop by between 2.4 % and 9 % of the total level of employment in Sri Lanka. For Nepal, the level of unemployment multiplier is in elevation, at 250 workers per USD 1 million. The reproduction shows that the Maldives might have the major employment losses if the lockdown drags on, due to the largest share of tourism in employment, almost 70 percent.

Figure- 10 Employment Effect in South Asia

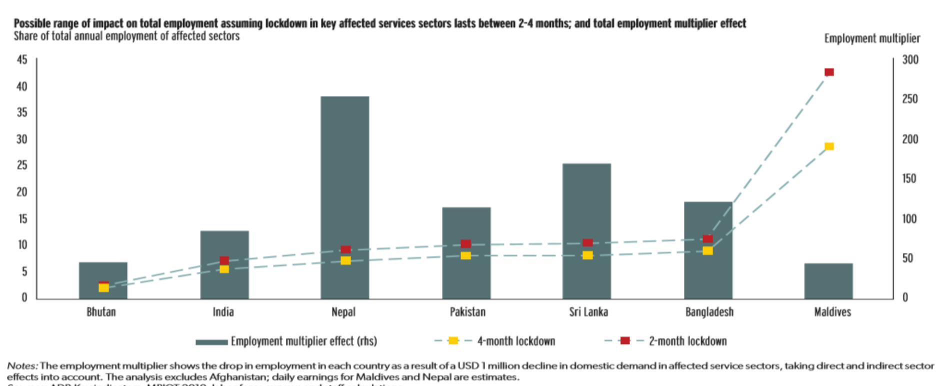
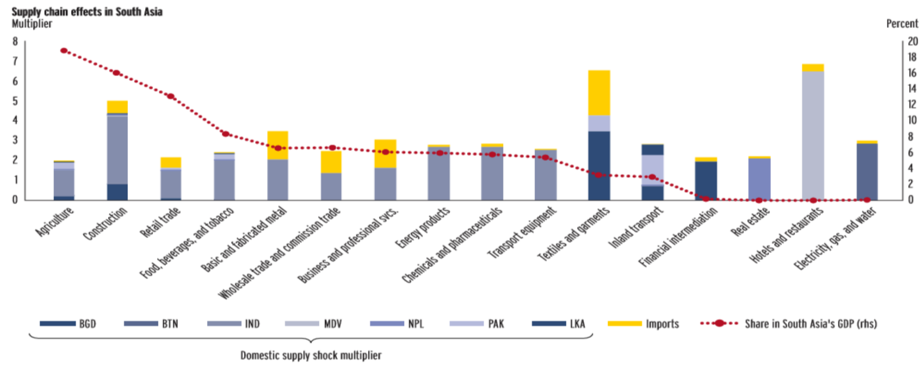


Figure-11 demonstrates that domestic sources determine the multiplier effect for most of the sectors. For instance, a USD 1 disruption of supply in the subdivision of simple and fabricated metals will diminish production in South Asia by USD 3.53. Supply disruption is 40 percent of it that invents abroad over disrupted imports and 60 percent originates from India which is also a producer. Disruptions of energy products, pharmaceuticals and chemicals, and equipment related to transport are mostly related to India and have the effect of dropping output in the entire region of South Asia by between $ 2 and $ 3[40]. The consequences illustrate that with some exceptions supply interruptions in the key segments in South Asia are mostly of domestic causes.

Figure-11 Supply Chain effect in South Asia



Notes: Data is from 2018. The share in South Asia's GDP is excluding Afghanistan. The domestic supply shock multiplier measures the direct and indirect impact on the South Asian economy, in US dollars, from a USD 1 reduction in intermediate supplies to these sectors. The source of that supply shock can come from countries in South Asia, or externally (outside of South Asia).
Source: ADB MRIOT.

Conclusion

COVID-19 global downturn now seems unavoidable and how long will this pandemic follow depends on the policies made by the policymakers. The government bodies and officials of Pakistan must keep policies in place ensuring and monitoring its implementation to ease liquidity issues in SMEs and take measures to relieve and support the industries and individuals that are adversely affected under financial crises. Moreover, it also depends on the reaction or responses of the companies towards re-planning and resuming the economic activities[41].

We must diversify foreign direct investments through intensive use of ICT technology and coordinate global sourcing to alleviate trade disruptions. With the past experiences and regulatory updates, the regulatory and monetary policy authorities must plan for the financial system by focusing on operational disruptions, strengthening financial market confidence by ensuring their availability at a time when intervention is required, preparing

[40] International Monetary Fund, IMF COVID-19 Response—A New Short-Term Liquidity Line to Enhance The Adequacy Of The Global Financial Safety Net. Decision No. 15420-(13/61), (2020).
[41] Upadhaya, Bedanand, Chaminda Wijethilake, Pawan Adhikari, Kelum Jayasinghe, and Thankom Arun. "COVID-19 policy responses: reflections on governmental financial resilience in South Asia." *Journal of Public Budgeting, Accounting & Financial Management* (2020).

the sound solution for failing banks, and other financial institutions. Thus, focusing on economic activities would not resolve the problem, fiscal sustainability must also be thoroughly considered. Therefore, governments should seek concessional financing along with technical assistance from developed partners to overcome health emergencies. Similarly, provide incentives to nationals for reporting corona victims by launching an app like India has launched named Aarogya Setu that helps to locate people positive for COVID-19. Organizations should retain their employees by disbursing salaries this will curtail unemployment and will be in the best interest of social well-being.

When earnings suddenly stop, an individual fails to serve debt, make mortgage payments, or pay rents because this leads to bankruptcies. Therefore, grace periods should be given and maturity of debt should be extended to help in bridging the crisis period. Moreover, The State Bank must firmly engage in asset purchases to provide short-term liquidity Pakistani financial institutions that would ultimately assist workers with wage subsidies. Similarly, depending on commodity exports with decreasing commodity rates amid the pandemic shock and dependence on intermediate goods for exports with importing countries has shut down supplies such as China have hurt our exports. Thus, resilience to such uncertainties could have been built if local commerce and supply chains had been built in der to diversify exports.

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